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February 6, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Investigation of Property Transfers from South Carolina Electric & Gas Company, SCANA, Other SCANA Affiliates and Non-Affiliated Entities, and Allocation of Expenses, Revenues and Plant between South Carolina Electric & Gas Company, SCANA and SCANA Affiliates
Docket No. 89-230-E/G

Friends of the Earth and Sierra Club, Complainant/Petitioner v. South Carolina Electric & Gas Company, Defendant/Respondent
Docket No. 2017-207-E

Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920
Docket No. 2017-305-E

Dear Ms. Boyd:

By Order No. 92-931, ("Order"), dated November 13, 1992, issued in Docket No. 89-230-E/G, the Public Service Commission of South Carolina ("Commission") required South Carolina Electric & Gas Company ("SCE&G" or "Company") to "[f]ile all available ratings and notifications of any change in a security rating within 15 days or as soon as possible" with such notification to include "the news release or other information for the rating agency setting forth the reason for the change." See Appendix A to Order No. 92-931, Financial Transactions Reporting Requirement II.B.6.A.

In compliance with the Order, the Company hereby notifies the Commission that on February 5, 2018, Moody's Investors Services ("Moody's") has taken negative credit action against SCANA Corporation ("SCANA") and SCE&G by downgrading their credit ratings across

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the board. Additionally, Moody's has placed SCANA and SCE&G under review for further downgrade. Below are tables reflecting the downgrades experienced by SCANA and SCE&G.

SCANA	Prior Rating as of January 3, 2018	Current Rating as of February 5, 2018
Issuer Rating Corporate Credit Rating Issuer Default Rating	Baa3	Ba1
Senior Unsecured Debt (Medium-Term Notes)	Baa3	Ba1
Short-Term Debt (Commercial Paper)	P-3	NP

With the downgrade by Moody's, all of SCANA's current credit ratings referenced in the table above are now below investment grade, which is commonly referred to as "speculative 'junk' grade."

SCE&G	Prior Rating as of January 3, 2018	Current Rating as of February 5, 2018
Issuer Rating Corporate Credit Rating Issuer Default Rating	Baa2	Baa3
Senior Unsecured Debt (First Mortgage Bonds)	A3	Baa1
Short-Term Debt (Commercial Paper)	P-2	P-3

SCE&G's current credit ratings have not yet fallen below investment grade; however, Moody's has informed SCANA that "[t]o the extent that there is evidence of additional financial stress or adverse political or regulatory developments, ratings could be affected further." This statement is not only applicable to SCE&G, but all of SCANA's subsidiaries. Please be advised that if Moody's downgrades SCE&G's Issuer Rating by one notch, then SCE&G's Issuer Rating will be considered "speculative 'junk' grade."

As support for its decision to downgrade the credit ratings of SCANA and SCE&G, Moody's cited the recent action of the South Carolina House of Representatives overwhelming passage of H. 4375, which was designed specifically for the purpose of repealing the rates SCE&G is collecting under the Base Load Review Act. Recognizing the significance of such legislation, Moody's states in its press release, a copy of which is enclosed, "[t]he proposed immediate reduction in revenue would have a material negative impact on SCE&G and SCANA's cash flow credit metrics."

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Moody's opinion concerning the material negative impact that an immediate reduction in revenue would have upon SCE&G is consistent with the opinion expressed by SCE&G through multiple affidavits filed with the Commission in Docket Nos. 2017-207-E and 2017-305-E explaining that a write down of assets associated with the construction of the new nuclear units could cripple SCE&G's and SCANA's balance sheet, lead to debt covenants being violated, result in short term notes becoming immediately due, cause the Company's credit ratings to fall to junk status, damage SCE&G's trade credit, and set in motion a cascading series of events that could be financially detrimental to the Company.

By copy of this letter we are serving a copy of SCE&G's notification upon the South Carolina Office of Regulatory Staff as well as the parties of record in Docket Nos. 2017-207-E and 2017-305-E.

If you have any questions, please advise.

Very truly yours,



K. Chad Burgess

KCB/kms
Enclosure

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(via electronic mail and First Class U.S. Mail w/enclosure)

Rating Action: Moody's downgrades SCE&G to Baa3 and SCANA to Ba1, ratings remain under review

Global Credit Research - 05 Feb 2018

Approximately \$9 billion of debt and credit facilities affected

New York, February 05, 2018 -- Moody's Investors Service (Moody's) downgraded the ratings of South Carolina Electric & Gas Company (SCE&G, senior unsecured to Baa3 from Baa2), and its parent company SCANA Corporation (SCANA, senior unsecured to Ba1 from Baa3) and continued the review for downgrade that began on November 1, 2017. The review was originally initiated as a result of escalating political and regulatory contentiousness following the organization's decision to cease construction of the V.C. Summer new nuclear units 2 and 3. Moody's today also placed the long-term ratings of SCANA's local gas distribution utility subsidiary, Public Service Company of North Carolina (PSNC, A3 senior unsecured) under review for downgrade.

RATINGS RATIONALE

The rating action follows the South Carolina House of Representatives overwhelming passage of H 4375, a bill that, if enacted, would temporarily repeal the rates SCE&G is collecting under the Base Load Review Act (BLRA) for its abandoned nuclear investment. As proposed in the legislation, "experimental" rates would be in place until the Public Service Commission of South Carolina (SCPSC) makes a determination in SCE&G's ongoing rate proceeding, which is likely to be concluded in the third quarter of this year. The proposed immediate reduction in revenue would have a materially negative impact on SCE&G and SCANA's cash flow credit metrics.

"The downgrade of SCE&G and SCANA is driven by a political and regulatory environment that has become exceedingly contentious and uncertain, and our assumption that SCE&G will ultimately be required to make considerable rate concessions to move forward", said Laura Schumacher, Senior Credit Officer. "Although we recognize H 4375 has not yet been signed into law, the bill has the full support of the governor, and at least some members of the Senate, which was contemplating similar legislation" added Schumacher. The BLRA that this legislation targets has been a key factor supporting SCE&G and SCANA's credit quality as it constructed the Summer nuclear units and any weakening of its provisions will have a detrimental effect on the organization's risk profile and on its ability to recover Summer costs.

We also believe the politically charged environment will weigh heavily on the SCPSC as it looks to implement rates that are fair and reasonable, perhaps leading to rates that are authorized at unusually low levels or include provisions that significantly delay recovery. Events over the past few months have led us to conclude the regulatory environment for SCE&G has deteriorated markedly and is now considerably below average.

The rating action also considers the negative legislative reaction to recent credit neutral proposals by SCANA, and by SCANA and Dominion Energy, Inc. (Dominion, Baa2 negative) in conjunction with their proposed merger, that would better balance the cost of nuclear abandonment between ratepayers, creditors and shareholders. As such, we believe SCE&G and SCANA will ultimately be required to absorb a greater portion of these costs, which would likely materially weaken their financial position. For example, we expect that the companies' ratios of cash from operations excluding changes in working capital (CFO pre-WC) to debt could decline to the low-teens.

The continued review of SCE&G and SCANA will focus on the companies' uncertain and rapidly evolving political and regulatory environment as well as the likely impact on their future financial profiles. To the extent there is evidence of additional financial stress or adverse political or regulatory developments, ratings could be affected. For example if the legislature were to move to replace members of the SCPSC; if SCE&G is ordered to refund amounts previously collected under the BLRA, particularly without the benefit of a larger, better capitalized partner; or if rates established by the SCPSC do not provide an opportunity for SCE&G to maintain a ratio of CFO pre-WC to debt that is at least in the low-teens, ratings could be revised downward. Furthermore, if the company is unable to draw on its credit lines, or issue additional debt, due to covenant violations or an inability to represent that it has not experienced a material adverse change, there could also be

downward movement in the ratings.

The review for downgrade at PSNC recognizes its position within the SCANA family and the absence of strong ring fencing type provisions that could serve to insulate it from potential financial distress at the parent. As such, and in light of the wide rating differential between PSNC and its parent SCANA, a downgrade of SCE&G and SCANA would likely result in a downgrade of PSNC.

The ratings could be confirmed at their current levels if there is a substantial decline in the political and regulatory contentiousness characterizing the Summer cost recovery discussions, if the cost recovery provisions of the BLRA are upheld and the Act remains in place, if there is a solution that provides balance in the recovery of Summer costs among ratepayers, creditors and shareholders, maintaining SCE&G and SCANA's credit profiles, and if SCE&G is able to collect rates going forward that will support stable cash flow metrics, including a ratio of CFO pre-WC to debt at least in the low-teens range.

Downgrades:

..Issuer: SCANA Corporation

.... Issuer Rating, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

....Senior Unsecured Commercial Paper, Downgraded to NP from P-3; Placed Under Review for further Downgrade

....Senior Unsecured Regular Bonds/Debentures, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

..Issuer: South Carolina Electric & Gas Company

.... Commercial Paper, Downgraded to P-3 from P-2; Placed Under Review for further Downgrade

.... Issuer Rating, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

....Multiple Seniority Shelf, Downgraded to (P)Baa1 from (P)A3; Placed Under Review for further Downgrade

....Senior Secured First Mortgage Bonds, Downgraded to Baa1 from A3; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

..Issuer: South Carolina Fuel Company Inc.

.... Commercial Paper, Downgraded to P-3 from P-2; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

On Review for Downgrade:

..Issuer: Public Service Co. of North Carolina, Inc.

....Senior Unsecured Bank Credit Facilities, Placed on Review for Downgrade, currently A3

....Senior Unsecured Regular Bonds/Debentures, Placed on Review for Downgrade, currently A3

Outlook Actions:

..Issuer: Public Service Co. of North Carolina, Inc.

....Outlook, Changed To Rating Under Review From Stable

Affirmations:

..Issuer: Public Service Co. of North Carolina, Inc.

....Senior Unsecured Commercial Paper, Affirmed P-2

SCANA is a holding company for SCE&G, a vertically integrated electric utility with local gas distribution operations regulated by the SCPSC; Public Service Company of North Carolina, a local gas distribution company regulated by the North Carolina Utilities Commission; and SCANA Energy Marketing, Inc. (SEMI, not rated), a non-regulated gas marketing business in Georgia.

The new V.C. Summer Units 2 and 3 are two Westinghouse AP1000 nuclear units (approximately 1,100 MWs each) that had been under construction at SCE&G's existing VC Summer plant site. SCE&G owns 55% of the new units, with the remaining 45% owned by the South Carolina Public Service Authority (Santee Cooper, A1 negative).

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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